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METROPOLITAN STORES
OF CANADA LIMITED

Annual **REPORT**
FISCAL YEAR ENDED JANUARY 31, 1973

1973



METROPOLITAN STORES OF CANADA LIMITED

HEAD OFFICE: 1370 SONY PLACE, FORT GARRY, WINNIPEG, CANADA R3C 3C3

ADMINISTRATIVE OFFICES: 3075 TRANS-CANADA HIGHWAY, POINTE CLAIRE 700, QUE.

DIRECTORS

Edson Boyd, C. A.	Partner — Richardson Securities of Canada	Winnipeg, Man.
Albert D. Cohen	President of General Distributors of Canada Ltd.	Winnipeg, Man.
Samuel N. Cohen	Vice-Chairman of Metropolitan Stores of Canada Limited	Winnipeg, Man.
Morley M. Cohen	President of Metropolitan Stores of Canada Limited	Montreal, Que.
Michael Greenberg	President of Greenberg Stores Limited	Westmount, Que.
Melvin L. Greenberg	Executive Vice-President of Greenberg Stores Limited	Mount Royal, Que.
F. N. Hughes	President of Oil Patch Industries Ltd.	Edmonton, Alta.
G. R. Hunter, Q.C.	Partner — Pitblado & Hoskin	Winnipeg, Man.
J. H. Unger	Retired — Former President of Metropolitan Stores of Canada Limited	Pompano Beach, Fla.

OFFICERS

Albert D. Cohen	Chairman of the Board of Directors
Samuel N. Cohen	Vice-Chairman of the Board of Directors
Morley M. Cohen	President
Norman Radun	Vice-President — Merchandising
R. P. Fraser	Vice-President — Store Operations
Murray Heselton, C.A.	Comptroller
Sterling R. Lyon, Q.C.	Secretary
R. Keith Fraser	Assistant Secretary

REGISTRAR AND TRANSFER AGENT

NATIONAL TRUST COMPANY LIMITED

250 PORTAGE AVE., WINNIPEG R3C 0B5

AUDITORS

McDONALD, CURRIE & CO.

RICHARDSON BLDG., ONE LOMBARD PLACE, WINNIPEG R3B 0X6

METROPOLITAN STORES OF CANADA LIMITED

HIGHLIGHTS OF RESULTS

1973 Fiscal Year

	1973	1972	Change
SALES	\$87,153,000	\$75,682,000	\$11,471,000
Earnings before income taxes	6,892,000	5,688,000	1,204,000
Net earnings for the year	3,654,000	2,873,000	781,000
Preferred dividends paid	312,000	325,000	(13,000)
Per share — annually	1.30	1.30	
Common dividend	563,000	256,000	307,000
Per share — declared annual rate	.24	.20	.04
Earnings per common share	1.31	1.00	.31
Depreciation and Amortization charges	1,716,000	1,550,000	166,000
Merchandise inventories	14,512,000	10,854,000	3,658,000
Working capital	7,866,000	6,472,000	1,394,000
Number of preferred shareholders	2,006	2,075	(69)
Number of common shareholders	888	896	(8)
Number of stores at year end	169	158	11

The Annual Meeting of Shareholders will be held
Friday, April 27, 1973 at 10:00 A.M. at the
Winnipeg Inn, Winnipeg, Man.

REPORT OF DIRECTORS

To the Shareholders of Metropolitan Stores of Canada Limited:

The company has completed another year of substantial growth and progress with sales and earnings achieving record levels. Expansion of the Metropolitan chain to all of the ten provinces was accomplished as part of the largest new store opening programme ever undertaken by the company. This programme which was successfully carried out entailed the opening of approximately 350,000 sq. ft. of new selling space. A similar programme of new store openings is planned for the current fiscal year.

New merchandising fields such as sports and leisure supplies, home entertainment centres and yard goods are being added to the larger outlets and a broader diversification of merchandise generally is being made available to the public. Direct merchandise imports from Japan, South East Asia and Europe have been expanded. The company's staff of buyers has been increased to meet the new demands of merchandise expansions.

Due to growth in volume and economies in control of operating expenses, the company's profit factor has increased. By concentrating on direct imports of merchandise and prudent buying on domestic markets, the company's gross profit margin has been maintained despite rising costs of merchandise. No new acquisitions were made during the year.

Your Board is greatly encouraged by the results reported in this summary and records its confidence in the on-going progress of your company.

EARNINGS

Earnings for the year ended January 31, 1973, were \$3,654,000, compared to \$2,873,000 in the previous year. After dividend payments of \$1.30 per share on the preferred shares, 1961 and 1967 Series, earnings from operations were \$3,342,000, an increase of \$794,000 or 31% over 1972 earnings of \$2,548,000. Based on 2,558,763 common shares outstanding, these earnings are the equivalent of \$1.31 per common share, compared to \$1.00 per common share in 1972.

SALES

The consolidated sales for the fiscal year were \$87,153,000. This represents an increase of 15% over 1972 sales of \$75,682,000.

STORE EXPANSION AND DEVELOPMENT

During the past fiscal year, Metropolitan and its subsidiaries, Saan Stores Ltd. and Greenberg Stores Limited, undertook the most ambitious store expansion programme since the company's Canadian-owned status was achieved in 1961. In all, seventeen new store sites were opened during the year — 7 operated by Metropolitan — 3 by Greenberg's — and 7 by Saan Stores. Met continues its policy of leasing primarily 30,000 - 50,000 sq. ft. units in shopping centres located in medium population centres. Last year, five such new sites were opened in the Atlantic provinces — Gander, Newfoundland, Edmundston, Saint John and St. Stephen in New Brunswick; and New Glasgow, Nova Scotia; and the others in Weyburn, Saskatchewan, and in Leamington, Ontario. Greenberg's opened three major new leased sites of comparable size in Quebec, at Alma, Chateaugay and Drum-

mondville. In addition to its new store in Fort Frances, Ontario, Saan Stores opened new store sites in the 6,000 - 10,000 sq. ft. range in Brandon, Manitoba; Lethbridge and Wainwright in Alberta; Moose Jaw and Kindersley in Saskatchewan; and Delta, B.C. Sales achieved by the new stores thus far have been gratifying and a continuation of this policy is indicated for the present fiscal year. The company and its subsidiaries are currently completing negotiations for eleven new Met stores, five Saan stores, and one new and a second expanded Greenberg store in the current year, which will increase the selling area by approximately 360,000 sq. ft.

Four Met stores and two Saan Stores, totalling approximately 32,000 sq. ft., were closed during the year in accordance with company policy of phasing out such small outlets.

DIVIDENDS

The fixed rate of \$1.30 per annum was paid on the company's cumulative redeemable preferred shares, 1961 and 1967 Series.

In December, 1972, your Board announced an increase in the company's annual dividend on common shares to 24c per share, from 20c per share last year. This dividend is payable 12c per share on a semi-annual basis.

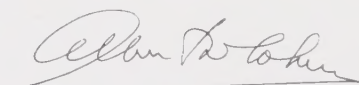
THE FUTURE

The retail sector of the Canadian economy continues to fulfill the expectations of your Board for steady growth. By expanding its base of junior department stores across Canada, management is confident it can participate fully in this increasing market. Merchandising techniques are an ever changing factor in today's market place and require more flexibility in the buying, displaying and selling of goods than was ever the case in previous years.

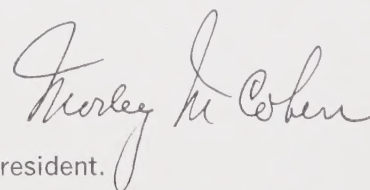
Notwithstanding the impact of inflation and unemployment on the domestic front and the upward adjustments of prices brought about by monetary changes abroad, management expects to maintain the company's growth pattern of past years.

IN APPRECIATION

Your company and its subsidiaries have combined staffs in excess of 7,000 people on a full or part time basis across Canada. To these employees and to the company's shareholders, customers and suppliers, the Board expresses its grateful appreciation for their loyalty and dedication which play such a major role in the success of the company's operations.



Chairman of the Board



President.

Winnipeg, Canada.
March, 1973.



**CONSOLIDATED
BALANCE SHEET
AS AT JANUARY 31, 1973**

ASSETS

(in thousands of dollars)

CURRENT

	1973 \$	1972 \$
Cash	469	1,250
Receivables	622	442
Inventories — at the lower of cost and net realizable value	14,512	10,854
Prepaid expenses	399	310
	<u>16,002</u>	<u>12,856</u>

FIXED

Land — at cost	5,733	5,706
Buildings, fixtures and equipment — at cost, less accumulated depreciation (note 2)	11,921	11,501
Leasehold improvements — at cost, less amortization	1,491	1,439
	<u>19,145</u>	<u>18,646</u>

OTHER

Deferred charges and sundry investments	296	197
Excess of purchase price over equity in net assets of a subsidiary at date of acquisition	2,777	2,777
	<u>3,073</u>	<u>2,974</u>

SIGNED ON BEHALF OF THE BOARD

Albert Cohen

Director

Samuel N. Cohen

Director

38,220

34,476

AUDITORS' REPORT

We have examined the consolidated balance sheet of the subsidiaries as at January 31, 1973 and the consolidated statement of source and use of working capital for the year then ended, and the accounting procedures and such tests of the books and records as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the subsidiaries as at January 31, 1973 and the results of their operations for the year then ended, in accordance with the basis consistent with that of the preceding year.

MARCH 2, 1973



**METROPOLITAN STORES
OF CANADA LIMITED
AND SUBSIDIARIES**

LIABILITIES

(in thousands of dollars)

	1973 \$	1972 \$
CURRENT		
Bank advances	888	1,037
Accounts payable and accrued liabilities	5,068	3,655
Dividend on common shares payable February 21, 1973	307	255
Income and other taxes	1,591	1,156
Long-term debt instalments due within one year	282	281
	<u>8,136</u>	<u>6,384</u>
LONG-TERM DEBT (note 3)	5,037	5,574
DEFERRED INCOME TAXES	672	585
	<u>13,845</u>	<u>12,543</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)	<u>9,341</u>	<u>9,678</u>
RETAINED EARNINGS		
Appropriated for redemption of preferred shares under the terms thereof and in respect of preferred shares redeemed as required by law (note 5)	769	635
Unappropriated	14,265	11,620
	<u>15,034</u>	<u>12,255</u>
	<u>24,375</u>	<u>21,933</u>
	<u>38,220</u>	<u>34,476</u>

THE SHAREHOLDERS

Metropolitan Stores of Canada Limited and its sub-
d statements of earnings, and retained earnings and
ended. Our examination included a general review
ounting records and other supporting evidence as

s present fairly the financial position of the com-
ir operations and the source and use of their working
nerally accepted accounting principles applied on a

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

METROPOLITAN STORES OF CANADA LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JANUARY 31, 1973

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies.

2. FIXED ASSETS

	1973		1972	
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Buildings	9,911,000	2,893,000	7,018,000	7,281,000
Fixtures and equipment	11,820,000	6,917,000	4,903,000	4,220,000
	<u>21,731,000</u>	<u>9,810,000</u>	<u>11,921,000</u>	<u>11,501,000</u>

3. LONG-TERM DEBT

	Instalments due within one year		Instalments due after one year	
	1973	1972	1973	1972
	\$	\$	\$	\$
Bank loan, secured by a first mortgage, payable in semi-annual instalments of \$100,000 bearing interest at prevailing bank rates	200,000	200,000	400,000	600,000
5% unsecured notes payable in annual instalments of \$40,000	40,000	40,000	80,000	120,000
6% mortgage payable in annual instalments of \$20,000	20,000	20,000	60,000	80,000
6½% first mortgage sinking fund bonds, Series "A" having a sinking fund requirement of \$270,000 in 1973 with progressively increasing annual requirements to a final maximum payment of \$540,000 in 1984	270,000	250,000	4,435,000	4,705,000
Less: Bonds purchased in advance of requirement	<u>270,000</u>	<u>250,000</u>	<u>269,000</u>	<u>284,000</u>
	—	—	4,166,000	4,421,000
6¾% mortgage payable by 1984 in monthly instalments of \$4,000 including principal and interest	22,000	21,000	331,000	353,000
	<u>282,000</u>	<u>281,000</u>	<u>5,037,000</u>	<u>5,574,000</u>

4. CAPITAL STOCK

(a) Authorized —

457,938 preferred shares of the par value of \$20 (decreased during the year by the purchase for cancellation of 10,205 shares, 1967 series) of which 150,000 are designated as the 1961 series and 107,938 as the 1967 series. Each series is entitled to a fixed cumulative dividend of \$1.30 per annum; the 1961 series is redeemable at \$21.25 per share and the 1967 series is redeemable at \$21.25 per share to November 1, 1977 and thereafter decreasing 25 cents per share to \$20.50 after November 1, 1979.

4,500,000 common shares without nominal or par value.

(b) Issued and fully paid —

	1973		1972	
	Number of shares	\$	Number of shares	\$
Preferred shares —				
1961 series	121,560	2,431,000	128,213	2,564,000
1967 series	107,938	2,159,000	118,143	2,363,000
Common shares	2,558,763	4,751,000	2,558,763	4,751,000
		<u>9,341,000</u>		<u>9,678,000</u>

(c) The company has reserved 55,000 unissued common shares for stock options.

As at January 31, 1973, the company has granted options, all of which expire prior to February 2, 1978, to purchase unissued common shares at prices ranging from \$16.20 to \$19.69 per share being 90% of the market price on the dates of granting the options to:

	Unissued shares
Directors and officers	39,000
Other employees	7,000
	<u>46,000</u>

5. APPROPRIATED RETAINED EARNINGS

	1973	1972
	\$	\$
Amounts set aside for the redemption of preferred shares under the terms thereof:		
1961 series	100,000	100,000
1967 series	100,000	100,000
Amount set aside as required by law equal to the par value of the preferred shares, 1961 series, purchased (6,653 shares during the year)	569,000	435,000
	<u>769,000</u>	<u>635,000</u>

6. LEASE COMMITMENTS

Rentals paid on property leases for the year ended January 31, 1973 amounted to \$4,005,000 (1972 — \$3,375,000). Minimum annual rentals in subsequent years on long-term property leases in effect at January 31, 1973 are:

Year ending January 31	Minimum annual rental
1974	\$2,747,000
1975	2,661,000
1976	2,517,000
1977	2,440,000
1978	2,304,000

Certain leases provide for rental based on sales.

7. REMUNERATION OF DIRECTORS AND OFFICERS

	1973		1972	
	9 Directors (3 officers were also directors)	8 Officers	9 Directors (3 officers were also directors)	9 Officers
	\$	\$	\$	\$
Remuneration paid by:				
Holding company —				
Metropolitan Stores of Canada Limited	11,000	223,000	11,000	215,000
Subsidiaries —				
Greenberg's Department Stores (1962) Ltd.		194,000		190,000
Saan Stores Ltd.		20,000		
	<u>11,000</u>	<u>437,000</u>	<u>11,000</u>	<u>405,000</u>

METROPOLITAN STORES OF CANADA LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1973
(in thousands of dollars)

	1973 \$	1972 \$
SALES	87,153	75,682
COSTS AND EXPENSES		
Cost of goods sold, selling, general and administrative expenses	78,192	68,044
Depreciation of fixed assets and amortization of leasehold improvements	1,596	1,489
Amortization of deferred charges	120	61
Interest on long-term debt	353	400
	80,261	69,994
	6,892	5,688
PROVISION FOR INCOME TAXES		
Current	3,151	2,779
Deferred	87	36
	3,238	2,815
NET EARNINGS FOR THE YEAR	3,654	2,873
RETAINED EARNINGS — BEGINNING OF YEAR	12,255	9,963
	15,909	12,836
DIVIDENDS		
Preferred shares	312	325
Common shares	563	256
	875	581
RETAINED EARNINGS — END OF YEAR	15,034	12,255
EARNINGS PER COMMON SHARE (after preferred dividends)	\$ 1.31	\$ 1.00

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL
FOR THE YEAR ENDED JANUARY 31, 1973
(in thousands of dollars)

	1973 \$	1972 \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	3,654	2,873
Items not affecting working capital —		
Depreciation of fixed assets and amortization of leasehold improvements and deferred charges	1,716	1,550
Deferred income taxes	87	36
Provided from operations	5,457	4,459
6% mortgage loan		100
	5,457	4,559
USE OF WORKING CAPITAL		
Additions to fixed assets — net	2,095	1,950
Dividends	875	581
Purchase of 6½ % first mortgage sinking fund bonds	255	485
Instalments of long-term debt due within one year	282	281
Purchase of preferred shares	337	132
Sundry	219	65
	4,063	3,494
INCREASE IN WORKING CAPITAL	1,394	1,065
WORKING CAPITAL — BEGINNING OF YEAR	6,472	5,407
WORKING CAPITAL — END OF YEAR	7,866	6,472

FINANCIAL SUMMARY

in Thousands of Dollars
1969-1973
Years Ended January 31

	1969	1970	1971	1972	1973
Number of Stores	154	160	157	158	169
Sales	\$60,680	\$64,659	\$68,975	\$75,682	\$87,153
Earnings after tax	2,021	2,018	2,195	2,873	3,654
Preferred dividend	361	359	339	325	312
Common dividend				256	563
Earnings for common shareholders	1,660	1,659	1,856	2,548	3,342
Earnings per common share	.65	.65	.73	\$1.00	\$1.31

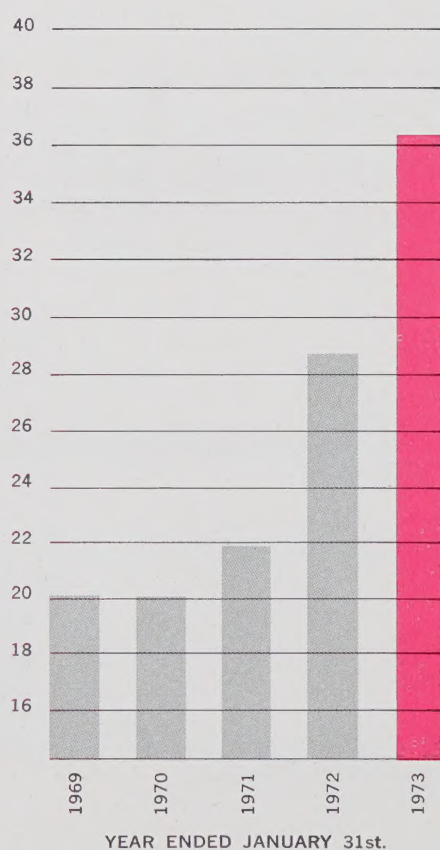
SALES

\$ MILLIONS

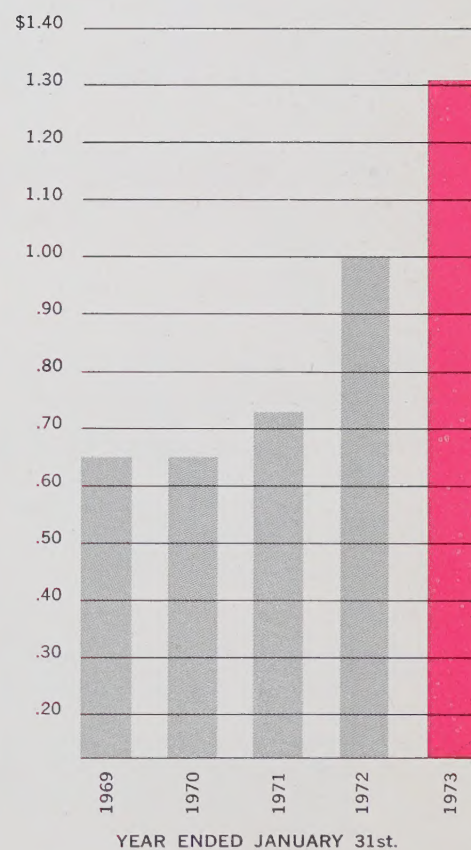


EARNINGS

\$ HUNDRED THOUSAND



EARNINGS Per Common Share



LOCATIONS OF 84 METROPOLITAN STORES

ONTARIO 27

Aurora
Belleville
Cobourg
Deep River
Kirkland Lake
Leamington
London (3)
Niagara Falls
Orillia
Ottawa (2)
Parry Sound
Prescott
Stratford
Thunder Bay (2)
Tillsonburg
Timmins (2)
Toronto (2)
Wallaceburg
Windsor (3)

BRITISH COLUMBIA 5

Kelowna

Nanaimo
New Westminster
Vancouver
Victoria

MANITOBA 4

Brandon
Dauphin
Portage la Prairie
Winnipeg

NEW BRUNSWICK 11

Bathurst
Campbellton
Edmundston
Fredericton
Moncton (2)
Newcastle
Saint John
St. Stephen
Sussex
Woodstock

NOVA SCOTIA 20

Amherst
Antigonish (2)
Bridgewater
Dartmouth
Digby
Glace Bay
Greenwood
Halifax (2)
Kentville
Liverpool
Lunenburg
New Glasgow (2)
North Sydney
Sydney (2)
Truro
Yarmouth

ALBERTA 3

Calgary
Edmonton
Grande Prairie

QUEBEC 4

Hull
Quebec
Rouyn
Sherbrooke

SASKATCHEWAN 7

North Battleford
Prince Albert
Regina
Saskatoon
Swift Current
Weyburn
Yorkton

PRINCE EDWARD ISLAND 2

Charlottetown
Summerside

NEWFOUNDLAND 1

Gander

LOCATIONS OF 58 SAAN STORES

ONTARIO 1

Fort Frances

MANITOBA 5

Brandon
Dauphin
Portage la Prairie
Swan River
The Pas

SASKATCHEWAN 18

Canora
Esterhazy
Estevan
Humboldt

Kindersley
Meadow Lake
Melfort
Moose Jaw
Nipawin
North Battleford
Prince Albert
Regina
Saskatoon (2)
Swift Current
Tisdale
Weyburn
Yorkton

ALBERTA 14

Calgary (2)

Camrose
Drumheller
Edmonton (3)
Fort Saskatchewan
Grande Prairie
Lethbridge
Lloydminster
Red Deer
Stettler
Wainwright

BRITISH COLUMBIA 20

Abbotsford
Chilliwack
Comox

Cranbrook
Dawson Creek
Delta
Ferne
Fort St. John
Kamloops (2)
Kelowna
Langley
Nanaimo
Nelson
Penticton
Port Alberni
Powell River
Prince George
Revelstoke
Vernon

LOCATIONS OF 27 GREENBERG STORES

QUEBEC 27

Alma
Chambly
Chateauguay
Granby

Drummondville
Joliette
Levis
Montreal (13)
Quebec (2)

St. Hyacinthe
St. Jean
St. Jerome
St. Therese
Three Rivers



COAST-TO-COAST, CANADIAN-OWNED